

1 AN ACT Relating to actuarial funding of pension systems; amending
2 RCW 41.45.010, 41.45.060, and 41.45.070; creating new sections;
3 providing an effective date; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that the state is
6 faced with a budget shortfall of \$10 billion over the four-year
7 budget outlook to maintain existing programs.

8 The legislature further finds that Washington state pensions are
9 among the best funded in the nation and as a result of higher than
10 expected investment returns and other positive experience, the future
11 rates in most of the systems are projected to decrease during the
12 2027-2029 fiscal biennium. While the pension funding council
13 recognized some of these changes in the rates adopted for the
14 2025-2027 fiscal biennium by phasing in costs of reducing the long-
15 term assumed rate of return on investments, newer information shows
16 that rates can be further reduced.

17 The legislature further finds that the current fixed 10-year
18 amortization for plan 1 benefit improvements have ensured that costs
19 are identified at the time of enactment and fully funded in the short
20 term. Given progress in addressing the unfunded actuarial accrued
21 liability for plan 1, a 15-year amortization period will more

1 accurately recognize the costs of benefit improvements and reduce the
2 risk of over-funding the state's closed plans.

3 Therefore the legislature intends to achieve a balanced approach
4 to pension funding that minimizes volatility, reduces costs to
5 employers, employees, and taxpayers, and maintains the health of the
6 pension system by modifying the pension rates adopted by the pension
7 funding council while reflecting updated projections on the funded
8 status of each plan and honoring the council's intent to phase in the
9 impact of changes in actuarial assumptions on the long-term rate of
10 return.

11 **Sec. 2.** RCW 41.45.010 and 2009 c 561 s 1 are each amended to
12 read as follows:

13 It is the intent of the legislature to provide a dependable and
14 systematic process for funding the benefits provided to members and
15 retirees of the public employees' retirement system, chapter 41.40
16 RCW; the teachers' retirement system, chapter 41.32 RCW; the law
17 enforcement officers' and firefighters' retirement systems, chapter
18 41.26 RCW; the school employees' retirement system, chapter 41.35
19 RCW; the public safety employees' retirement system, chapter 41.37
20 RCW; and the Washington state patrol retirement system, chapter 43.43
21 RCW.

22 The funding process established by this chapter is intended to
23 achieve the following goals:

24 (1) To fully fund the public employees' retirement system plans 2
25 and 3, the teachers' retirement system plans 2 and 3, the school
26 employees' retirement system plans 2 and 3, the public safety
27 employees' retirement system plan 2, and the law enforcement
28 officers' and firefighters' retirement system plan 2 as provided by
29 law;

30 (2) To fully amortize the total costs of the law enforcement
31 officers' and firefighters' retirement system plan 1, not later than
32 June 30, 2024;

33 (3) To fully amortize the unfunded actuarial accrued liability in
34 the public employees' retirement system plan 1 and the teachers'
35 retirement system plan 1 within a rolling ten-year period, using
36 methods and assumptions that balance needs for increased benefit
37 security, decreased contribution rate volatility, and affordability
38 of pension contribution rates;

1 (4) To amortize the costs of benefit improvements in the public
2 employees' retirement system plan 1 and the teachers' retirement
3 system plan 1 over a fixed 15-year period;

4 (5) To establish long-term employer contribution rates which will
5 remain a relatively predictable proportion of the future state
6 budgets; and

7 ~~((45))~~ (6) To fund, to the extent feasible, all benefits for
8 plan 2 and 3 members over the working lives of those members so that
9 the cost of those benefits are paid by the taxpayers who receive the
10 benefit of those members' service.

11 **Sec. 3.** RCW 41.45.060 and 2020 c 103 s 4 are each amended to
12 read as follows:

13 (1) The state actuary shall provide preliminary actuarial
14 valuation results based on the economic assumptions and asset value
15 smoothing technique included in RCW 41.45.035 or adopted under RCW
16 41.45.030 or 41.45.035.

17 (2) Not later than July 31, 2008, and every two years thereafter,
18 consistent with the economic assumptions and asset value smoothing
19 technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or
20 41.45.035, the council shall adopt and may make changes to:

21 (a) A basic state contribution rate for the law enforcement
22 officers' and firefighters' retirement system plan 1;

23 (b) Basic employer contribution rates for the public employees'
24 retirement system, the teachers' retirement system, and the
25 Washington state patrol retirement system; and

26 (c) Basic employer contribution rates for the school employees'
27 retirement system and the public safety employees' retirement system
28 for funding both those systems and the public employees' retirement
29 system plan 1.

30 The council may adopt annual rate changes for any plan for any
31 rate-setting period. The contribution rates adopted by the council
32 shall be subject to revision by the legislature.

33 (3) The employer and state contribution rates adopted by the
34 council shall be the level percentages of pay that are needed:

35 (a) To fully amortize the total costs of the law enforcement
36 officers' and firefighters' retirement system plan 1 not later than
37 June 30, 2024;

38 (b) To fully fund the public employees' retirement system plans 2
39 and 3, the teachers' retirement system plans 2 and 3, the public

1 safety employees' retirement system plan 2, and the school employees'
2 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
3 41.45.067, and this section; and

4 (c) To fully fund the public employees' retirement system plan 1
5 and the teachers' retirement system plan 1 in accordance with RCW
6 41.45.070, 41.45.150, and this section.

7 (4) The aggregate actuarial cost method shall be used to
8 calculate a combined plan 2 and 3 normal cost, a Washington state
9 patrol retirement system normal cost, and a public safety employees'
10 retirement system normal cost.

11 (5) A modified entry age normal cost method, as set forth in this
12 chapter, shall be used to calculate employer contributions to the
13 public employees' retirement system plan 1 and the teachers'
14 retirement system plan 1.

15 (6) The employer contribution rate for the public employees'
16 retirement system and the school employees' retirement system shall
17 equal the sum of:

18 (a) The amount required to pay the combined plan 2 and plan 3
19 normal cost for the system, subject to any minimum rates applied
20 pursuant to RCW 41.45.155; plus

21 (b) The amount required to amortize the unfunded actuarial
22 accrued liability in plan 1 of the public employees' retirement
23 system over a rolling ten-year period using projected future salary
24 growth and growth in system membership, and subject to any minimum or
25 maximum rates applied pursuant to RCW 41.45.150; plus

26 (c) ~~((The))~~ Except as described in (d) of this subsection, the
27 amounts required to amortize the costs of any benefit improvements in
28 plan 1 of the public employees' retirement system that become
29 effective after June 30, 2009. The cost of each benefit improvement
30 shall be amortized over a fixed ~~((ten-year))~~ 15-year period using
31 projected future salary growth and growth in system membership. The
32 amounts required under this subsection are not subject to, and are
33 collected in addition to, any minimum or maximum rates applied
34 pursuant to RCW 41.45.150; plus

35 (d) The amounts required to amortize the remaining costs of
36 benefit improvements in the public employees' retirement system plan
37 1 effective from July 1, 2018, through June 30, 2025. The remaining
38 costs of these benefit improvements as of July 1, 2025, shall be
39 amortized over a fixed 15-year period using projected future salary
40 growth and growth in system membership. Contribution rates collected

under this subsection are effective September 1, 2025. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

(7) The employer contribution rate for the public safety employees' retirement system shall equal the sum of:

(a) The amount required to pay the normal cost for the system, subject to any minimum rates applied pursuant to RCW 41.45.155; plus

(b) The amount required to amortize the unfunded actuarial accrued liability in plan 1 of the public employees' retirement system over a rolling ~~((ten-year))~~ 10-year period using projected future salary growth and growth in system membership, and subject to any minimum or maximum rates applied pursuant to RCW 41.45.150; plus

(c) ~~((The))~~ Except as described in (d) of this subsection, the amounts required to amortize the costs of any benefit improvements in plan 1 of the public employees' retirement system that become effective after June 30, 2009. The cost of each benefit improvement shall be amortized over a fixed ~~((ten-year))~~ 15-year period using projected future salary growth and growth in system membership. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150; plus

(d) The amounts required to amortize the remaining costs of benefit improvements in the public employees' retirement system plan 1 effective from July 1, 2018, through June 30, 2025. The remaining costs of these benefit improvements as of July 1, 2025, shall be amortized over a fixed 15-year period using projected future salary growth and growth in system membership. Contribution rates collected under this subsection are effective September 1, 2025. The amounts required under this subsection are not subject to, and are collected in addition to, any minimum or maximum rates applied pursuant to RCW 41.45.150.

(8) The employer contribution rate for the teachers' retirement system shall equal the sum of:

(a) The amount required to pay the combined plan 2 and plan 3 normal cost for the system, subject to any minimum rates applied pursuant to RCW 41.45.155; plus

(b) The amount required to amortize the unfunded actuarial accrued liability in plan 1 of the teachers' retirement system over a rolling ~~((ten-year))~~ 10-year period using projected future salary

1 growth and growth in system membership, and subject to any minimum or
2 maximum rates applied pursuant to RCW 41.45.150; plus

3 (c) (~~The~~) Except as described in (d) of this subsection, the
4 amounts required to amortize the costs of any benefit improvements in
5 plan 1 of the teachers' retirement system that become effective after
6 June 30, 2009. The cost of each benefit improvement shall be
7 amortized over a fixed (~~ten-year~~) 15-year period using projected
8 future salary growth and growth in system membership. The amounts
9 required under this subsection are not subject to, and are collected
10 in addition to, any minimum or maximum rates applied pursuant to RCW
11 41.45.150; plus

12 (d) The amounts required to amortize the remaining costs of
13 benefit improvements in the teachers' retirement system plan 1
14 effective from July 1, 2018, through June 30, 2025. The remaining
15 costs of these benefit improvements as of July 1, 2025, shall be
16 amortized over a fixed 15-year period using projected future salary
17 growth and growth in system membership. Contribution rates collected
18 under this subsection are effective September 1, 2025. The amounts
19 required under this subsection are not subject to, and are collected
20 in addition to, any minimum or maximum rates applied pursuant to RCW
21 41.45.150.

22 (9) The employer contribution rate for each of the institutions
23 of higher education for the higher education supplemental retirement
24 benefits must be sufficient to fund, as a level percentage of pay, a
25 portion of the projected cost of the supplemental retirement benefits
26 for the institution beginning in 2035, with the other portion
27 supported on a pay-as-you-go basis, either as direct payments by each
28 institution to retirees, or as contributions to the higher education
29 retirement plan supplemental benefit fund. Contributions must
30 continue until the council determines that the institution for higher
31 education supplemental retirement benefit liabilities are satisfied.

32 (10) The council shall immediately notify the directors of the
33 office of financial management and department of retirement systems
34 of the state and employer contribution rates adopted. The rates shall
35 be effective for the ensuing biennial period, subject to any
36 legislative modifications.

37 (11) The director shall collect those rates adopted by the
38 council. The rates established in RCW 41.45.062, or by the council,
39 shall be subject to revision by the legislature.

(12) The state actuary shall prepare final actuarial valuation results based on the economic assumptions, asset value smoothing technique, and contribution rates included in or adopted under RCW 41.45.030, 41.45.035, and this section.

Sec. 4. RCW 41.45.070 and 2009 c 561 s 4 are each amended to read as follows:

(1) In addition to the basic employer contribution rate established in RCW 41.45.060 or 41.45.054, the department shall also charge employers of public employees' retirement system, teachers' retirement system, school employees' retirement system, public safety employees' retirement system, or Washington state patrol retirement system members an additional supplemental rate to pay for the cost of additional benefits, if any, granted to members of those systems. Except as provided in subsections (6), (7), and (9) of this section, the supplemental contribution rates required by this section shall be calculated by the state actuary and shall be charged regardless of language to the contrary contained in the statute which authorizes additional benefits.

(2) In addition to the basic member, employer, and state contribution rate established in RCW 41.45.0604 for the law enforcement officers' and firefighters' retirement system plan 2, the department shall also establish supplemental rates to pay for the cost of additional benefits, if any, granted to members of the law enforcement officers' and firefighters' retirement system plan 2. Except as provided in subsection (6) of this section, these supplemental rates shall be calculated by the actuary retained by the law enforcement officers' and firefighters' board and the state actuary through the process provided in RCW 41.26.720(1)(a) and the state treasurer shall transfer the additional required contributions regardless of language to the contrary contained in the statute which authorizes the additional benefits.

(3) Beginning July 1, (~~(2009)~~) 2025, the supplemental rate charged under this section to fund benefit increases provided to active members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1 shall be calculated as the level percentage of all system pay needed to fund the cost of the benefit over a fixed (~~(ten-year)~~) 15-year period, using projected future salary growth and growth in system membership. The supplemental rate to fund benefit increases provided to active

1 members of the public employees' retirement system plan 1 shall be
2 charged to all system employers in the public employees' retirement
3 system, the school employees' retirement system, and the public
4 safety employees' retirement system. The supplemental rate to fund
5 benefit increases provided to active members of the teachers'
6 retirement system plan 1 shall be charged to all system employers in
7 the teachers' retirement system.

8 (4) The supplemental rate charged under this section to fund
9 benefit increases provided to active and retired members of the
10 public employees' retirement system plan 2 and plan 3, the teachers'
11 retirement system plan 2 and plan 3, the public safety employees'
12 retirement system plan 2, the school employees' retirement system
13 plan 2 and plan 3, or the Washington state patrol retirement system
14 shall be calculated as the level percentage of all members' pay
15 needed to fund the cost of the benefit, as calculated under RCW
16 41.45.060, 41.45.061, 41.45.0631, or 41.45.067.

17 (5) The supplemental rate charged under this section to fund
18 postretirement adjustments which are provided on a nonautomatic basis
19 to current retirees shall be calculated as the percentage of pay
20 needed to fund the adjustments as they are paid to the retirees.
21 Beginning July 1, ~~((2009))~~ 2025, the supplemental rate charged under
22 this section to fund increases in the automatic postretirement
23 adjustments for active or retired members of the public employees'
24 retirement system plan 1 and the teachers' retirement system plan 1
25 shall be calculated as the level percentage of pay needed to fund the
26 cost of the automatic adjustments over a fixed ~~((ten-year))~~ 15-year
27 period, using projected future salary growth and growth in system
28 membership. The supplemental rate to fund increases in the automatic
29 postretirement adjustments for active members or retired members of
30 the public employees' retirement system plan 1 shall be charged to
31 all system employers in the public employees' retirement system, the
32 school employees' retirement system, and the public safety employees'
33 retirement system. The supplemental rate to fund increases in
34 automatic postretirement adjustments for active members or retired
35 members of the teachers' retirement system plan 1 shall be charged to
36 all system employers in the teachers' retirement system.

37 (6) A supplemental rate shall not be charged to pay for the cost
38 of additional benefits granted to members pursuant to chapter 340,
39 Laws of 1998.

(7) A supplemental rate shall not be charged to pay for the cost of additional benefits granted to members pursuant to chapter 41.31A RCW; section 309, chapter 341, Laws of 1998; or section 701, chapter 341, Laws of 1998.

(8) A supplemental rate shall not be charged to pay for the cost of additional benefits granted to members and survivors pursuant to chapter 94, Laws of 2006.

(9) A supplemental rate shall not be charged to pay for the cost of the additional benefits granted to members of the teachers' retirement system and the school employees' retirement system plans 2 and 3 in sections 2, 4, 6, and 8, chapter 491, Laws of 2007 until September 1, 2008. A supplemental rate shall not be charged to pay for the cost of the additional benefits granted to members of the public employees' retirement system plans 2 and 3 under sections 9 and 10, chapter 491, Laws of 2007 until July 1, 2008.

NEW SECTION. **Sec. 5.** A new section is added to chapter 41.45 RCW to read as follows, but because of its temporary nature is not codified:

The legislature hereby revises the contribution rates adopted by the pension funding council on July 17, 2024:

(1)(a) Beginning July 1, 2025, and ending June 30, 2026, the required total employer contribution rate for the public employees' retirement system shall be 7.62 percent.

(b) Beginning July 1, 2026, and ending June 30, 2027, the required total employer contribution rate for the public employees' retirement system shall be 6.62 percent.

(c) Of the total rate for each fiscal year, 0.26 percent reflects reamortizing the costs of benefit improvements in plan 1 of the public employees' retirement system as provided in RCW 41.45.060(6)(d).

(2)(a) Beginning July 1, 2025, and ending June 30, 2026, the required total employer contribution rate for the public safety employees' retirement system shall be 8.87 percent.

(b) Beginning July 1, 2026, and ending June 30, 2027, the required total employer contribution rate for the public safety employees' retirement system shall be 7.87 percent.

(c) Of the total rate for each fiscal year, 0.26 percent reflects reamortizing the costs of benefit improvements in plan 1 of the

public employees' retirement system as provided in RCW 41.45.060(7)(d).

(3)(a) Beginning September 1, 2025, and ending August 31, 2027, the required total employer contribution rate for the teachers' retirement system shall be 8.46 percent.

(b) Of the total rate for each school year, 0.51 percent reflects reamortizing the unfunded actuarial accrued liability in plan 1 of the teachers' retirement system as provided in RCW 41.45.060(8)(d).

(4)(a) Beginning September 1, 2025, and ending August 31, 2026, the required total employer contribution rate for the school employees' retirement system shall be 9.00 percent.

(b) Beginning September 1, 2026, and ending August 31, 2027, the required total employer contribution rate for the school employees' retirement system shall be 8.00 percent.

(c) Of the total rate for each school year, 0.26 percent reflects reamortizing the costs of benefit improvements in plan 1 of the public employees' retirement system as provided in RCW 41.45.060(6)(d).

(5) Beginning July 1, 2025, and ending June 30, 2027, the required total employer contribution rate for the Washington state patrol retirement system shall be 16.35 percent.

(6) Beginning July 1, 2025, and ending June 30, 2027, the required member contribution rate for the public employees' retirement system plan 2 shall be 5.86 percent.

(7) Beginning July 1, 2025, and ending June 30, 2027, the required member contribution rate for the public safety employees' retirement system plan 2 shall be 7.11 percent.

(8) Beginning September 1, 2025, and ending August 31, 2027, the required member contribution rate for the teachers' retirement system plan 2 shall be 7.95 percent.

(9) Beginning September 1, 2025, and ending August 31, 2027, the required member contribution rate for the school employees' retirement system plan 2 shall be 7.24 percent.

(10) Beginning July 1, 2025, and ending June 30, 2027, the required member contribution rate for the Washington state patrol retirement system shall be 8.75 percent.

NEW SECTION. **Sec. 6.** This act is necessary for the immediate preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect July 1, 2025.

--- **END** ---